

HCS HB 73 -- HIGHER EDUCATION SAVINGS PROGRAM

SPONSOR: Luetkemeyer

COMMITTEE ACTION: Voted "do pass" by the Committee on Financial Services by a vote of 18 to 1.

This substitute creates the Missouri Higher Education Deposit Program. The new program will provide an additional method in which a person can invest savings for college on a tax-free basis ("529 Plan"). The program will be administered by a seven member board. The board will consist of the Director of the Division of Finance, the Director of the Department of Higher Education, the Commissioner of the Office of Administration, and four private members appointed by the Governor who have expertise in finance. The board may enter into deposit program participation agreements with financial institutions in the state. These institutions would be allowed to set up 529 Plans for their customers, allowing citizens of the state to invest their savings for college in a financial institution within the state.

FISCAL NOTE: Total Estimated Net Cost to General Revenue of \$59,283 to Unknown in FY 2004, \$56,399 to Unknown in FY 2005, and \$57,814 to Unknown in FY 2006. Expected to exceed \$100,000 annually.

PROPOSERS: Supporters say that currently more than \$250 million are invested in the Missouri Saving for Tuition (MOST) Program, and it is all going out of state, because the company that handles it is out of state. The purpose of the bill is two-fold: (1) to keep more money in the state (which will help local businesses get access to capital and allow them to expand their businesses; and (2) to allow banks across the state to market the program to their customers, thus greatly increasing the exposure of this tax-free college savings program. The investment approach for many people should include safe investments in certificates of deposit and other interest-bearing deposit programs, which Missouri banks can offer. That money does not need to go out of the state. The bill doesn't change the MOST Program. It merely offers an additional way to save for college.

Testifying for the bill were Representative Engler; Missouri Bankers Association; Missouri Independent Bankers Association; Edward Jones, Inc.; Securities Industry Association; Central Bank; and Missouri Chamber of Commerce.

OPPOSERS: Those who oppose the bill say that TIAA-CREF bid on this contract five years ago when only two other companies were interested enough to put in a bid. Now that the program is successful, other companies want to jump on board. TIAA-CREF

markets the program throughout the state, and the company is ranked among the best in the country, according to Money magazine. When the program was being started, the Governor begged banks to submit bids, and none of them would. Now they want in, after it's established.

Testifying against the bill was TIAA-CREF (administrator of the MO\$T Program).

OTHERS: Others testifying on the bill were Russell Gunn, Board Member, Missouri Higher Education Savings Program; and Chuck Miller, Office of the Treasurer.

Richard Smreker, Senior Legislative Analyst